

TOWN OF DAVIE

TOWN COUNCIL AGENDA REPORT

TO: Mayor and Council Members

FROM/PHONE: William F. Underwood, II, Director of Finance/797-1050
Document Prepared By: William F. Underwood, II

SUBJECT: Resolution

AFFECTED DISTRICT: All

TITLE OF AGENDA ITEM: A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING THE FIRM OF MERRILL LYNCH AS THE UNDERWRITER FOR THE \$25 MILLION LIMITED (OPEN SPACE) GENERAL OBLIGATION BOND ISSUE AND J.P. MORGAN AS THE UNDERWRITER FOR THE \$16.5 MILLION (FIRE STATION AND APPARATUS) GENERAL OBLIGATION BOND ISSUE.

REPORT IN BRIEF: A competitive proposal was requested for a firm or firms to provide underwriting for the Town. The Town's financial advisor sent out specifications to prospective proposers. Additionally, the proposal was advertised in the Sun-Sentinel and posted on the Town's web site. The Town received twelve (12) proposal responses. Eleven (11) responses were received by the deadline and one (1) response was received past the deadline and therefore ineligible for consideration. The criteria for evaluation were: experience in underwriting general obligation issues, capitalization of the firm, underwriting fees and expenses, public finance presence in Florida, experience of personnel and ability to market the two issues to obtain the lowest borrowing cost.

PREVIOUS ACTIONS: Not applicable

CONCURRENCES: The Town's Financial Advisor's recommendation for award has been reviewed by the Director who concurs with the decision to award to Merrill Lynch and J.P. Morgan as the underwriters. The Selection Committee also concurs with the Financial Advisor in making a presentation of the recommendation to the Town Council.

FISCAL IMPACT:

Has request been budgeted? N/A

If yes, expected cost: N/A

Account Name: N/A

Additional Comments: The underwriter fees will come from the proceeds of the transactions.

RECOMMENDATION(S): Motion to approve the resolution.

Attachment(s):

Memorandum from Dunlap & Associates, Inc.

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING THE FIRM OF MERRILL LYNCH AS THE UNDERWRITER FOR THE \$25 MILLION LIMITED (OPEN SPACE) GENERAL OBLIGATION BOND ISSUE AND J.P. MORGAN AS THE UNDERWRITER FOR THE \$16.5 MILLION (FIRE STATION AND APPARATUS) GENERAL OBLIGATION BOND ISSUE.

WHEREAS, the Town solicited proposals for underwriters for the \$25 Million Open Space Bond and the \$16.5 Million Fire Bond; and

WHEREAS, the Town's financial advisor has recommended Merrill Lynch and J.P. Morgan as the firms best qualified to provide the required underwriting; and

WHEREAS, the Town Council accepts the proposals from Merrill Lynch and J.P. Morgan.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council of the Town of Davie does hereby accept the selection of Merrill Lynch as the underwriter for the \$25 Million Limited Open Space General Obligation Bond.

SECTION 2. The Town Council of the Town of Davie does hereby accept the selection of J.P. Morgan as the underwriter for the \$16.5 Million Fire Station and Apparatus General Obligation Bond.

SECTION 3. The Town Council authorizes the Town's financial advisor to select providers of ancillary services necessary to consummate the transaction.

SECTION 4. The Town Council authorizes the Budget and Finance Department to follow the recommendations of the Town's Financial Advisor in pursuit of a financial credit rating for the Town.

SECTION 5. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS _____ DAY OF _____, 2006

MAYOR/COUNCILMEMBER

Attest:

TOWN CLERK

APPROVED THIS _____ DAY OF _____, 2006

Memorandum

To: William (Bill) F. Underwood, II

From: Damon R. Adams
Senior Vice President, Dunlap & Associates, Inc.

Date: June 5, 2006

Re: Town of Davie, Florida
\$25 Million Limited G.O. Bonds, Series 2006
\$16.5 Million G.O. Bonds, Series 2006
Underwriter Selection

During the month of May 2006, proposals were solicited to provide underwriting services for each of the two Town of Davie bond issues referenced above. Eleven proposals were received by the extended deadline of May 30, 2006. There was one late proposal. The eleven proposers are listed in alphabetical order as follows:

Citigroup, Corporate and Investment Banking
Fifth Third Securities, Inc.
Gardnyr Michael Capital, Inc.
Jackson Securities, LLC
J.P. Morgan Securities Inc.
Loop Capital Markets, LLC
Merrill Lynch, Global Markets & Investment Banking Group
Raymond James & Associates, Inc.
RBC Capital Markets
SunTrust Capital Markets
UBS Securities LLC

These responses show that there is a significant degree of interest in assisting the Town with its borrowing needs by the investment banking community. All proposers are capable but we believe it is in the best interest of the Town to select one separate underwriter for each of the two issues which are expected to be sold within days of each other.

The proposals were evaluated taking into consideration several factors, including experience in underwriting general obligation issues, capitalization of the firm, underwriting fees and expenses, public finance presence in Florida, experience of personnel and ability to market the two issues to obtain the lowest borrowing cost.

In reviewing proposals from so many qualified firms, it is no small task to choose the right combination of underwriters which will produce the least borrowing cost to the Town. While the underwriting fees (such as the takedown) can be measured objectively and is an important factor in the evaluation, the ability of the firm to produce the lowest possible true interest cost is the most important. This involves assessing the capabilities of proposers in marketing and distributing bonds to investors. A portion of the funds may need to be taken into inventory of the proposer if they cannot be sold on the date of sale. This is where firm capitalization, experience in the type of bonds to be sold and ability to cover market sectors become critical factors.

To avoid market confusion associated with both regular general obligation and limited general obligation bonds it is recommended that the two issues be sold on different dates with separate underwriters. Accordingly, after weighing all the above factors we would recommend Merrill Lynch as underwriter for the \$25 million Limited (Open Space) G.O. issue and J.P. Morgan as underwriter for the \$16.5 million (Fire Station and Apparatus) G.O. issue.